

## Transitional labour markets in a transitional economy: could they work? ; the example of Poland

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## **Transitional Labour Markets in a Transitional Economy**

### **Could They Work? The Example of Poland**

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## **ABSTRACT**

The prospects for successful implementation of the TLM approach in Poland depend on numerous factors, and it is important to remember that the impact of these factors will rarely be one-dimensional. TLMs would entail a series of both advantages and disadvantages for employers, employees, the self-employed, non-paid workers, the unemployed, trainees and older workers facing retirement. Moreover, the unique mix of economic, social, technological and demographic changes found in Poland will have a substantial impact on the prospects for implementing TLMs. There is no conclusive answer to the question formulated in the title. A number of arguments suggest that the reply might be positive: the prospect of social and political approval for TLMs, EU membership, the need to combat widespread unemployment and illicit employment, the rising level of education, the high rate of economic growth, and many others. There are also, however, many potential obstacles: the poor level of agreement between the social partners, the lack of funds for ALMP, inadequate links between different employment statuses on the labour market, the scale of poverty, inadequate mobility, structural reforms, poor implementation of labour law, etc.

## **ZUSAMMENFASSUNG**

Es gibt eine Vielzahl von Faktoren, die die Chancen einer effizienten Implementierung des Konzepts der Übergangsarbeitsmärkte (ÜAM) in Polen beeinflussen und die sich zudem selten in nur eine Richtung auswirken. ÜAM würden eine Reihe von Vor- wie Nachteilen für Arbeitgeber, Arbeitnehmer, Selbständige, Unbezahlte, Arbeitslose, Auszubildende und ältere Beschäftigte vor dem Ruhestand mit sich bringen. Darüber hinaus werden die Perspektiven für die Realisierung von ÜAM in Polen auch stark von den Besonderheiten des ökonomischen, gesellschaftlichen, technologischen und demographischen Wandels in diesem Lande bestimmt. Die im Titel formulierte Frage lässt sich nicht endgültig bejahen oder verneinen. Etliche Argumente sprechen für eine positive Antwort: die Aussicht auf gesellschaftliche und politische Zustimmung zu ÜAM, die EU-Mitgliedschaft, die Notwendigkeit, die hohe Arbeitslosigkeit und die weit verbreitete Schwarzarbeit zu bekämpfen, das steigende Bildungsniveau, das hohe Wirtschaftswachstum und vieles mehr. Es existieren jedoch auch viele potentielle Hindernisse: fehlendes Einvernehmen zwischen den Sozialpartnern, mangelnde finanzielle Mittel für aktive arbeitsmarktpolitische Maßnahmen, keine adäquaten Brücken für Übergänge in eine andere Erwerbsform, Armut, zu geringe Mobilität, Strukturreformen, schlechte Umsetzung des Arbeitsrechts usw.



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## **1. Introduction**

This paper aims at presenting transitional labour markets (TLMs) as a concept that might help to understand and resolve the problems of the Polish labour market. In particular, it assesses the compatibility of Polish labour market policy with the criteria of TLMs, which are defined as a set of institutional arrangements that provide “bridges” between various employment statuses over the life course. For instance, a “bridge” between unemployment and employment might be provided through retraining, subsidised employment or temporary work. Likewise, transitions between part-time and full-time work, between dependent work and self-employment, between work and education or work and full retirement, might be supported in order to accommodate employers’ changing needs or employees’ preferences. The resulting increase in protected or supported mobility might improve the flexibility and efficiency of the labour market overall and reduce the gap between “insiders” and “outsiders”, thereby preventing unemployment. The paper also analyses the advantages and disadvantages of TLM implementation, the potential obstacles and the incentives that could support the further dissemination of this approach in Polish labour market policy.

The paper is structured as follows. First, the Polish labour market is described in accordance with the main dimensions of the TLM concept; second, the pros and cons of TLMs are discussed; third, and finally, conclusions are drawn.

## **2. The Polish Labour Market from the Perspective of Transitional Labour Markets**

### **2.1 *TLMs in Poland: Various Forms of Employment***

In comparison to the EU-15, the Poles work quite a lot. Nonetheless, the unemployment rate was rising during the period observed, eventually reaching in 2004 a level of 20% that cannot be compared to any other European country. One might suggest that the Polish labour market situation could be improved by better distribution of the existing jobs. There is actually some scope for work-sharing, but this would need to be encouraged by legal frameworks on both the demand and supply sides.



*Table 1: Average number of annual working hours, 2000-2003*

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Poland	1963	1957	1958	1956
Greece	1921	1928	1928	1938
Spain	1814	1816	1813	1800
Finland	1749	1733	1727	1713
Portugal	1691	1696	1697	1676
United Kingdom	1708	1711	1692	1673
Ireland	1687	1680	1666	1613
Italy	1613	1601	1599	1591
Sweden	1624	1603	1580	1564
Austria	1582	1593	1567	1550
Belgium	1524	1548	1547	1542
Denmark	1467	1495	1462	1475
Germany	1463	1449	1442	1445
France	1496	1475	1437	1431
Netherlands	1368	1368	1338	1354

Source: ILO, Key Indicators of the Labour Market 2001-2002, International Labour Office, Geneva, 2002. OECD Labour Force Statistics.

*Table 2: Part-time work as a share of employment, 1992-2003*

	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
NL	27.1	27.7	28.7	29.0	29.3	29.1	30.0	30.4	32.1	33.0	33.9	34.5
UK	21.5	22.1	22.4	22.3	22.9	22.9	23.0	23.0	23.0	22.7	23.0	23.3
Belgium	15.2	15.9	15.8	15.6	16.1	16.2	16.3	19.9	20.7	18.5	19.4	20.6
Germany	12.3	12.8	13.5	14.2	14.9	15.8	16.6	17.1	17.6	18.3	18.8	19.6
Ireland	11.2	13.0	13.3	14.4	14.1	15.2	17.6	17.9	18.1	17.9	18.1	18.1
Austria	9.1	10.0	12.9	13.4	13.3	13.9	15.1	15.4	15.7	16.9	17.8	.
Denmark	18.9	19.0	17.2	16.8	16.5	17.1	17.0	15.3	16.1	14.7	16.2	15.8
Sweden	15.0	15.4	15.8	15.1	14.8	14.2	13.5	14.5	14.0	13.9	13.8	14.1
France	12.5	13.3	13.9	14.2	14.3	14.9	14.8	14.7	14.2	13.8	13.7	12.9
Luxem- bourg	9.5	9.9	10.7	11.4	10.4	11.1	12.8	12.1	12.4	13.3	12.6	.
Italy	10.0	10.0	10.0	10.5	10.5	11.3	11.2	11.8	12.2	12.2	11.9	12.0
Finland	8.1	8.9	8.9	8.6	8.4	9.4	9.6	9.9	10.4	10.5	11.0	11.3
Poland	.	.	.	10.6	10.6	10.5	10.4	10.9	10.6	10.2	10.7	10.3
Portugal	8.8	8.8	9.5	8.6	9.2	10.2	9.9	9.3	9.4	9.2	9.6	10.0
Spain	5.4	6.1	6.5	7.1	7.5	7.9	7.7	7.9	7.7	7.8	7.6	7.8
Greece	7.1	7.0	7.8	7.7	8.0	8.2	9.0	8.0	5.5	4.9	5.6	5.6

Sources: ILO, Key Indicators of the Labour Market 2001-2002, International Labour Office, Geneva, 2002. OECD Labour Force Statistics.

Unlike many other European countries, the share of the labour force that works part time tends to remain constant in Poland. At over 10% of total employment, this is not much in comparison with the EU-15. It is, however, the largest share amongst the new EU members. Part-time work is still an unexploited instrument that could be used in the creation of TLMs in Poland. On the other hand, the reason many people do not work part time is economical. This is why the share of involuntary part-timers has been systematically growing in Poland.

*Table 3: Involuntary part-time workers as share of total part-time workers in Poland, 1997-2003*

	1997	1998	1999	2000	2001	2002	2003
%	11.7	11.5	10.9	12.7	26.1	27.2	29.6

Source: OECD Labour Force Statistics.

The next field that can contribute to the creation of TLMs is work on one's own account. The share of own-account workers amongst the employed in Poland is constantly high.

*Table 4: Self-employment as a share of total employment (incl. agriculture) in Poland*

	1995	1996	1997	1998	1999	2000	2001	2002	2003
%	19.9	19.2	19.2	18.3	19.0	18.5	19.0	18.9	18.0

Source: Eurostat.

Because of the large share of people who work on their own farms, a separate examination of this type of activity in the non-agricultural areas is essential for a proper analysis of the potential of self-employment to act as a buffer against social exclusion. The share of self-employed in non-agricultural employment is higher in Poland than in Austria, Denmark, Germany and France, and comparable to the level in the United Kingdom. This is evidence of the quite high level of entrepreneurial spirit in the Polish labour force. The conclusion one can draw is that there is therefore not much more scope for further transitions to self-employment, especially from inactivity or unemployment.

*Table 5: Own-account workers plus employers as a share of total employment (non-agricultural) in Poland, 1995-2003*

	1995	1996	1997	1998	1999	2000	2001	2002	2003
%	11.4	11.4	11.6	11.7	12.2	11.9	11.9	12.0	12.0

Source: OECD.

**Table 6:** *Temporary employees as a share of total employees in Poland, 2000-2004 (data for third quarters)*

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
%	6.1	12.3	16.0	20.4	23.8

Source: Eurostat.

There has been a real boom in temporary contracts in Poland, especially in the area of temporary work agencies. Over the last four years, the share of temporary workers amongst all employees has multiplied almost four times (see Table 6). One of the main causes of this phenomenon is the substantial improvement of the regulations protecting temporary workers. The result of this change is that this form of employment, while remaining attractive for employers, has also become appealing to workers. In a simultaneous change, legislation relating to workers on fixed-term contracts was abolished entirely. However, the restrictions on fixed-term re-contracting were reintroduced in May 2004. Under these regulations, following two fixed-term contracts, any successive contract must be stipulated for an open-ended period.

**Table 7:** *Level of protection (EPL\*) of temporary employment in EU-25, 1998 and 2003*

	<b>FR</b>	<b>SP</b>	<b>GR</b>	<b>PT</b>	<b>BE</b>	<b>IT</b>	<b>FI</b>	<b>GE</b>	<b>SW</b>
<b>1998</b>									
Fixed-term contracts	4.0	2.5	4.0	2.3	1.5	4.0	3.3	1.8	1.8
Temporary work agency contracts	3.3	4.0	5.5	3.8	3.8	3.3	0.5	2.8	1.5
<i>Overall index of temporary employment protection</i>	3.6	3.3	4.8	3.0	2.6	3.6	1.9	2.3	1.6
<b>2003</b>									
Fixed-term contracts	4.0	3.0	4.5	1.8	1.5	2.5	3.3	1.8	1.8
Temporary work agency contracts	3.3	4.0	2.0	3.8	3.8	1.8	0.5	1.8	1.5
<i>Overall index of temporary employment protection</i>	3.6	3.5	3.3	2.8	2.6	2.1	1.9	1.8	1.6
	<b>AT</b>	<b>DK</b>	<b>PL</b>	<b>NL</b>	<b>HU</b>	<b>IR</b>	<b>CZ</b>	<b>GB</b>	<b>SV</b>
<b>1998</b>									
Fixed-term contracts	1.8	2.3	1.0	0.8	0.8	0.0	0.5	0.0	1.8
Temporary work agency contracts	1.3	0.5	0.5	1.6	0.5	0.5	0.5	0.5	0.5
<i>Overall index of temporary employment protection</i>	1.5	1.4	0.8	1.2	0.6	0.3	0.5	0.3	1.1
<b>2003</b>									
Fixed-term contracts	1.8	2.3	0.0	0.8	1.8	0.8	0.5	0.3	0.3
Temporary work agency contracts	1.3	0.5	2.5	1.6	0.5	0.5	0.5	0.5	0.5
<i>Overall index of temporary employment protection</i>	1.5	1.4	1.3	1.2	1.1	0.6	0.5	0.4	0.4

\* OECD Employment Protection Legislation (EPL) Index: "0": no protection, "6": full protection.

Source: OECD Labour Force Statistics.

## 2.2 *TLMs in Poland: Transitions from Unemployment to Employment*

Before presenting some of the more sophisticated elements of labour market policy that fulfil the TLM criteria and focus directly on the unemployed, let us first look at the basic instruments. The most important is unemployment benefit. Any worker who has been employed for a minimum 365 days (in total) during the 18 months prior to the claim and who was earning at least the minimum wage, is entitled to unemployment benefit. Level and duration are not fixed. There are currently three different benefit rates, which depend on the duration of the contribution period prior to unemployment. The basic rate amounts to 61.2% of the minimum wage.<sup>1</sup> The lower rate is equal to 48.9% of the minimum wage for a contribution period of less than five years, while the higher rate corresponds to 73.4% of the minimum wage for a contribution period of over 20 years. The duration of unemployment benefit varies in accordance with the regional unemployment rate. It is granted for:

- 6 months in regions where the preceding year's unemployment rate amounted to up to 125% of the average unemployment rate for the whole country,
- 12 months in regions where the unemployment rate exceeded 125% of the average Polish unemployment rate, or if the unemployed person is over 50 and has worked for a minimum 20 years prior to unemployment,
- 18 months (very rare) in regions where the unemployment rate exceeded 200% of the average national unemployment rate and the unemployed person worked for a minimum 20 years, or if the partner of the beneficiary is also unemployed but not entitled to unemployment benefit.

The employment office pays the beneficiary's pension and disability insurance contributions, totalling 32.52% of the unemployment benefit.

This formula for unemployment benefit, together with the high long-term unemployment rate,<sup>2</sup> implies that the number of persons entitled to the benefit is actually very low. In August 2004, the share of unemployed persons entitled to unemployment benefit amounted to only 13.8% of the registered unemployed. Nonetheless, the rise in the number of jobless people (since 1998) has necessitated an increase in the funds spent for this purpose. During the last six years, the quota spent on passive labour market instruments has tripled (cf. Table 8). At the same time, expenditure on activation of the unemployed did not increase in proportion to the growing need, rather actually decreased in nominal terms by 22%. Consequently, the level of expenditure on active measures was ten times lower in 2003 than on passive ones and amounted only to 0.12% of GNP.

---

1 The gross minimum wage amounted to 849 PLN (Polish zloty: around 270 EUR) per month in January 2005. This corresponds to approximately 37% of the average gross salary.

2 In the third quarter of 2004, the average duration of unemployment was 16.8 months.

Table 8: *Labour fund expenditure in Poland, 1990-2003*

	Total labour fund expenditure		Expenditure on active measures		Expenditure on passive measures	
	Mln PLN	%GNP*	Mln PLN	%LF**	Mln PLN	% LF***
<b>1990</b>	370.2	0.70	118.7	32.06	189.1	51.08
<b>1991</b>	1,358.4	1.80	94.7	6.97	1,114.5	82.05
<b>1992</b>	2,282.7	2.15	107.5	4.71	1,969.7	86.29
<b>1993</b>	3,190.3	2.31	354.5	11.11	2,677.1	83.91
<b>1994</b>	4,447.1	2.46	569.0	12.79	3,724.6	83.75
<b>1995</b>	6,328.3	2.55	754.9	11.93	5,363.2	84.75
<b>1996</b>	7,525.3	2.41	806.1	10.71	6,413.5	85.23
<b>1997</b>	6,799.6	1.76	1,168.4	17.18	5,278.0	77.62
<b>1998</b>	5,215.0	1.17	1,241.8	23.81	3,060.3	58.68
<b>1999</b>	5,712.1	0.93	1,097.4	19.21	3,953.9	69.22
<b>2000</b>	6,945.9	1.01	767.8	11.05	5,749.9	82.78
<b>2001</b>	8,597.2	1.14	604.4	7.03	7,293.8	84.84
<b>2002</b>	9,972.6	1.29	539.3	5.41	8,879.2	89.04
<b>2003</b>	11,749.8	1.46	969.0	8.25	10,063.7	85.65

\* % GNP: share of Gross National Product accounted for by total LF expenditure.

\*\* % LF: share of total LF expenditure on active measures.

\*\*\* % LF: share of total LF expenditure on passive measures.

Source: Ministerstwo Gospodarki i Pracy (Ministry of Economy and Labour).

One of the aims of active measures is the creation of jobs in the public sector. As a result of the catastrophically low expenditure on active measure and the high rate of economic growth, Poland is one of the worst-placed amongst the EU countries as regards the total share of GDP spent on subsidised employment.

Table 9: *Expenditure on direct job creation in the public and non-profit sectors in the EU, as a percentage of GDP, 2000-2003*

	BE	NL	HU	FR	DK*	GE	FI	SV	SP	PT*	AT	IT	CZ	GB	PL
<b>2000</b>	0.47	0.33	0.13	0.19	0.22	0.33	0.19	0.01	0.09	0.05	0.03	0.07	0.03	0.0	<b>0.03</b>
<b>2001</b>	0.48	0.27	0.14	0.18	0.21	0.25	0.13	0.14	0.09	0.05	0.04	0.05	0.04	0.01	<b>0.02</b>
<b>2002</b>	0.45	0.28	0.19	0.18	0.19	0.19	0.12	0.15	0.08	0.05	0.03	0.05	0.04	0.01	<b>0.02</b>
<b>2003</b>	0.37	0.29	0.26	0.17	0.15	0.15	0.14	0.09	0.09	0.05	0.04	0.04	0.03	0.01	<b>0.01</b>

\* Data for 1997-2000.

Source: OECD Employment Outlook 2004.

For the same reasons, expenditure on measures supporting job creation in the private sector has also been decreasing relative to GDP (cf. Table 10).

The level of protection in Poland regarding open-term contract employment is below the European average and has remained unchanged for the last six years. Although the degree of protection has not increased either in most other EU countries, in Poland the unemployment rate has doubled during this period (cf. Table 11).

Let us now examine what kind of TLM measures supporting unemployment-to-employment transitions can be found in Polish labour market policy. Three sub-groups can be distinguished with respect to the target statuses of the unemployed.

The first are transitional labour markets between unemployment and education, which encourage activities aimed at the improvement of qualifications and employability. The means of maintenance provided under these measures take a variety of forms, including unemployment benefit, grants and loans. What is important to note is that some of this money is transferred to the private, public and non-profit educational sectors.

The second group consists of measures supporting transitions between unemployment and employment, whether dependent employment or self-employment. Financial means in the form of grants are transferred to the unemployed person or to his/her employer. In the first case, this is an incentive provided during the period of entitlement in the form of necessary start capital. This is especially important for the unemployed, who are not in a position to take out a commercial loan on the open market. In the second case, the funds represent a financial stimulus to create a new job or a kind of premium for any employer who offers a job to a worker who – in theory, at least – has less potential than the other participants on the open market. The third group of TLMs are measures that encourage active job search so as to promote transitions between unemployment and employment. These are measures that encourage people looking after young children to search actively for work, to enter employment or to participate in training. Instruments that stimulate the supply side in order to reduce the employability gap between unemployed parents and others could be a valuable supplement to measures aimed at subsidising pre-school care.

Table 10: Expenditure on regular employment subsidies in the private sector in the EU, as a percentage of GDP, 2000-2003

	SP	IT	BE	SW	FI	FR	HU	SV	GR*	AT	NL	GE	CZ	GB	DK*	PT*	PL
<b>2000</b>	0.30	0.19	0.27	0.17	0.16	0.23	0.09	0.01	0.05	0.05	0.05	0.03	0.02	0.01	0.02	0.01	<b>0.05</b>
<b>2001</b>	0.30	0.24	0.29	0.14	0.15	0.18	0.07	0.00	0.07	0.05	0.05	0.02	0.04	0.01	0.02	0.01	<b>0.02</b>
<b>2002</b>	0.25	0.27	0.29	0.18	0.14	0.16	0.09	0.01	0.04	0.06	0.05	0.02	0.04	0.02	0.02	0.01	<b>0.02</b>
<b>2003</b>	0.28	0.26	0.23	0.17	0.16	0.15	0.08	0.06	0.05	0.04	0.04	0.03	0.02	0.02	0.02	0.01	<b>0.01</b>

\* Data for 1997-2000.

Source: OECD Employment Outlook 2004.

Table 11: Strictness of employment protection regarding open-term contracts in the EU (EPL\*), 1998 and 2003

	PT	SV	CZ	NL	SW	GE	SP	FR	GR	AT	PL	FI	HU	IT	BE	IR	DK	GB
<b>1998</b>																		
Difficulty of dismissal	4.5	3.3	3.8	3.3	4.0	3.3	3.3	3.0	2.8	4.3	<b>2.3</b>	2.8	2.5	3.3	1.8	2.0	1.5	0.8
Notice period and severance pay for no-fault dismissals	5.0	2.7	2.7	1.9	1.6	1.3	2.6	1.5	2.2	2.0	<b>1.4</b>	1.4	1.8	0.6	2.3	0.8	1.9	1.1
Dismissal procedures	3.5	5.0	3.5	4.0	3.0	3.5	2.0	2.5	2.0	2.5	<b>3.0</b>	2.8	1.5	1.5	1.0	2.0	1.0	1.0
<i>Overall index of protection for open-term employment</i>	<i>4.3</i>	<i>3.6</i>	<i>3.3</i>	<i>3.1</i>	<i>2.9</i>	<i>2.7</i>	<i>2.6</i>	<i>2.3</i>	<i>2.3</i>	<i>2.9</i>	<i><b>2.2</b></i>	<i>2.3</i>	<i>1.9</i>	<i>1.8</i>	<i>1.7</i>	<i>1.6</i>	<i>1.5</i>	<i>0.9</i>
<b>2003</b>																		
Difficulty of dismissal	4.0	2.8	3.8	3.3	4.0	3.3	3.3	3.0	3.0	3.8	<b>2.3</b>	2.8	2.5	3.3	1.8	2.0	1.5	1.3
Notice period and severance pay for no-fault dismissals	5.0	2.7	2.7	1.9	1.6	1.3	2.6	1.9	2.2	0.9	<b>1.4</b>	1.0	1.8	0.6	2.4	0.8	1.9	1.1
Dismissal procedures	3.5	5.0	3.5	4.0	3.0	3.5	2.0	2.5	2.0	2.5	<b>3.0</b>	2.8	1.5	1.5	1.0	2.0	1.0	1.0
<i>Overall index of protection for open-term employment</i>	<i>4.2</i>	<i>3.5</i>	<i>3.3</i>	<i>3.1</i>	<i>2.9</i>	<i>2.7</i>	<i>2.6</i>	<i>2.5</i>	<i>2.4</i>	<i>2.4</i>	<i><b>2.2</b></i>	<i>2.2</i>	<i>1.9</i>	<i>1.8</i>	<i>1.7</i>	<i>1.6</i>	<i>1.5</i>	<i>1.1</i>

\* Employment Protection Legislation Index OECD: "0": no protection, "6": full protection.

Source: OECD Labour Force Statistics.

**Table 12:** *Instruments supporting unemployment-to-employment transitions*

<b>Instruments</b>	<b>Details</b>
Training financing	Fully or partly financed training (grants for the unemployed during training or education: 40% of unemployment benefit; during apprenticeship: 100% of unemployment benefit; additional funds for training for the unemployed: 20% of unemployment benefit). The employment office pays the pension and disability insurance contributions proportionally to the amount that has been granted.
Training loans	Zero-interest loans for the unemployed (up to 400% of the average wage).
Wage refunds	Employers are reimbursed for salaries, bonuses and social insurance contributions paid for unemployed workers they have hired.
Workplace equipment	Employers are reimbursed up to 300% of the average wage for the costs of workplace equipment required by the recruitment of an unemployed worker.
Start-up loans	Loans for starting up a business; refunds of 80% of proven expenditure on legal assistance and start-up consulting amounting to up to 100% of the average wage.
Self-employment and social enterprises	Financial aid for business start-ups (for self-employment: up to 500% of the average wage; for founding a social enterprise: up to 300%; for persons joining another social enterprise: up to 200% of the average wage).
Compensatory allowance	Activating allowance for the unemployed entitled to unemployment benefit who enter employment or take up other remunerated work: when the transition is organised via the employment office and is into part-time work: up to 50% of unemployment benefit; when it is the result of personal initiative: up to 30% of unemployment benefit.
Care expenses	Refund of care costs for single unemployed parents with at least one child aged under 7 who enter employment or take up other remunerated work, or commence training or an apprenticeship: up to 50% of unemployment benefit.

Source: Ministerstwo Gospodarki i Pracy (Ministry of Economy and Labour).

## **2.3** *TLMs in Poland: Transitions from Education to Employment*

Expenditure on support for transitions from education and training to other labour market statuses has been stable in relative terms. This is evidence of its importance as a part of active labour market policy (ALMP). Unfortunately, in absolute terms such spending remains minimal. Only every twentieth Pole aged between 25 and 64 received training in the period preceding the survey, while in the EU-25 every eleventh member of labour force, and in Sweden every third, on average, was in vocational training. The reason is the insufficient employer demand for these kinds of services. They prefer to invest in key workers who are already specialists and would actually have no problem finding a new job on the market. The situation is quite the opposite for low-skilled workers, who are at the highest risk of losing their jobs, and for the long-term unemployed. Because of the situa-



tion of the “employer market” in many Polish sectors – at least as regards blue-collar workers – the external recruitment is frequently an attractive alternative. This is why there is such a need for additional incentives for employers, on top of creating frameworks for employees and the inactive. Examples of such measures might be refunding half of the outlay for employee re-training, low-interest loans for retraining, various kinds of grants, and paying for the training participants’ social insurance contributions.

*Table 13: Life-long learning in the EU (share of persons aged 25-64 who participated in training over a 4-week time span before the survey)*

SW	GB	DK	FI	NL	SN	IR	EU-25	BE	LV	AT
34.2	21.3	18.9	17.6	16.5	15.1	9.7	9.0	8.5	8.1	7.9
FR	EE	HU	GE	SP	CZ	PL	SV	IT	LI	GR
7.4	6.2	6.0	6.0	5.8	5.4	<b>5.0</b>	4.8	4.7	4.5	3.7

Source: Eurostat.

Newcomers to the labour market are one of the target groups for this area of ALMP and TLMs. In order to increase the attractiveness of these people for an employer, a special lowered minimum wage has been introduced: 80% of the basic minimum wage during the first year of employment and 90% of the basic minimum wage during the second. Moreover, school-leavers can avail of apprenticeships and general training, which are financed out of ALMP funds. The amount and the dynamics of expenditure for these purposes in comparison with some of the EU-15 are shown in Table 14.

*Table 14: Government expenditure on apprenticeships and general training for young people in the EU, as a percentage of GDP, 1999-2002*

	IT	FR	PT*	FI	GB	PL	NL	GE	AT	GR	SP
<b>1999</b>	0.23	0.19	0.22	0.13	0.11	<b>0.05</b>	0.04	0.01	0.03	0.07	0.01
<b>2000</b>	0.21	0.18	0.18	0.11	0.11	<b>0.03</b>	0.04	0.01	0.02	0.07	0.00
<b>2001</b>	0.20	0.18	0.19	0.10	0.09	<b>0.05</b>	0.04	0.01	0.01	0.07	0.00
<b>2002</b>	0.20	0.15	0.12	0.11	0.10	<b>0.04</b>	0.04	0.02	0.01	0.01	0.00

\* Data for 1997-2000.

Source: OECD Employment Outlook 2004.

## 2.4 TLMs in Poland: Transitions in the Area of Household Work

Social and demographic trends in Poland are much the same as those observed in most other European countries. The decline in fertility is rooted not only in the country’s culture, but is also a consequence of the prevailing economic condi-

tions. Reconciling household responsibilities and paid work is becoming increasingly difficult, even in two-parent families. The situation of lone parents, whose number has been growing, is even worse.

*Table 15: Factors influencing the number of lone parents in Poland, 1990-2003*

	<b>Marriage contracts (in thousands)</b>	<b>Divorces (in thousands)</b>	<b>Births (in thousands)</b>
1990	255.4	42.4	547.7
1997	204.8	42.6	412.6
1998	209.4	45.2	395.6
1999	219.4	42.0	382.0
2000	211.2	42.8	378.3
2001	195.1	45.3	368.2
2002	191.9	45.4	353.8
2003	195.4	48.6	351.1

Source: Główny Urząd Statystyczny (Central Statistical Office of Poland).

Year by year, the number of pre-school care facilities is declining. Access to child care (especially to public institutions, which are less expensive) is becoming increasingly difficult.

*Table 16: Nursery and kindergarten accessibility, 1995-2002*

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Nurseries (aged below 3)	591	533	506	494	461	428	396	382
Kindergartens* (aged 3 to 6), in thousands	20.6	20.6	20.5	20.4	18.9	18.0	17.3	17.2

\* Kindergartens as well as kindergarten classes in primary schools.

Source: Central Statistical Office of Poland.

Taking the above facts into consideration, the importance of the latest changes in Polish legislation that create frameworks for some forms of TLMs should be stressed. These modifications mostly concern the following areas: improving access to financial support for both parents, increasing the flexibility of employment to facilitate reconciliation between professional and family duties, and providing incentives for the male partner to take over a share of the care responsibilities. The most important changes concerning entitlement to maternity leave are as follows:

- the duration of maternity leave was reduced in 2002 and now amounts to only 16 weeks for the first and 18 weeks for successive births; 26 weeks are granted in the event of multiple births;
- the father is entitled to take the remainder of maternity leave after 14 weeks;
- during maternity leave, the partner concerned is granted maternity benefit amounting to 100% of his/her salary.

Changes in the parental leave system are even more significant. Since the beginning of 2004, fathers also have the right to take three-year parental leave, on the condition that the child is aged under 4 and that the father has worked prior to the leave for a minimum of six months. Parental leave can be divided into a maximum of four different periods. During this leave a parent may take an additional job or undergo training, provided that direct child care remains possible. An employee entitled to parental leave may request a shorter working week from his/her employer during this period. Since 2004, fathers are also entitled to take two full-paid days off per year for child care. The pension, disability and health insurance contributions of parents on parental leave are paid by the state (not the employer). All parents who choose not to work during their parental leave receive a parental benefit equalling 49% of the minimum wage for 24-36 months.

## 2.5 *TLMs in Poland: Transitions from Work to Retirement*

In analysing the prospects for development of this area of TLMs in Poland, some alarming statistics should be borne in mind. Although the official retirement age in Poland is currently 65 for men and 60 for women, in reality it is lower by around seven years for men and by over four years for women. The average actual retirement age of Poles is 57, which is one of the lowest in the entire enlarged European Union.

This phenomenon has several causes. For most of the fifteen years of the Polish economic transformation from the socialist to the free market system, there have been various sorts of early retirement arrangements. These have been used as a buffer to absorb the long-term unemployed as well as members of the labour force excluded from employment because of structural changes in the economy. The reform of the retirement system, which created the three-pillar structure of financing the future benefits system, rapidly led to a reduction in the funds from contributions to cover the current beneficiaries' entitlements. At the same time, the unemployment level was rising sharply, which further intensified the increase in the beneficiaries-to-working rate. This means that the use of such a costly instrument as early retirement must inevitably be reduced, and indeed this measure will be abolished in 2006. Until this time, only women aged over 55 who have worked for a minimum of 30 years will be entitled to early retirement.

Table 17: Average age of labour market exit in 2002

	PL	BE	FR	HU	AT	GR*	IT	CZ	EU-25
<b>Total</b>	<b>56.9</b>	58.5	58.8	59.2	59.3	59.4	59.9	60.2	60.4
<b>Men</b>	<b>58.1</b>	58.6	58.9	59.6	59.4	61.2	60.2	62.2	60.8
<b>Women</b>	<b>55.8</b>	58.4	58.7	58.8	59.3	57.7	59.7	58.4	60.0
	FI	GE	DK	SP	NL	GB	IR	PT	SW
<b>Total</b>	60.5	60.7	60.9	61.5	62.2	62.3	62.4	62.9	63.2
<b>Men</b>	60.6	61.1	61.9	61.5	62.9	62.7	62.0	62.8	63.4
<b>Women</b>	60.4	60.3	59.8	61.5	61.6	61.9	62.8	63.0	63.1

\* Data for 2001.

Source: Eurostat.

However, new arrangements could alleviate the extremely difficult situation of older people who are redundant. These have only very slim chances of finding a new job on the regular labour market. One such arrangement is the pre-pension allowance introduced on 1.08.2004. This measure assists persons who have lost their job because their employer has become bankrupt or entered liquidation, and who have been unemployed for six months, provided that they are at least 56 (women) or 61 (men) and have worked for 20 or 25 years, respectively.

Another solution that can improve the chances of maintaining some of the workers of pre-retirement age in activity is a limitation on the maximum salary that can be earned by a worker who combines a paid job with early retirement. Women aged under 60 and men aged under 65 may combine a pension and earned income amounting to a maximum of 70% of the average wage. When the remuneration for the paid work exceeds 130% of the average wage, the pension is suspended.

### 3. Pros and Cons of the TLM Approach with Respect to Polish Conditions

This part of the paper analyses the circumstances that could affect the chances for successful implementation of the TLM approach in Poland. There are numerous factors involved and, crucially, few of them will have only a one-dimensional influence on the situation. To make the analysis clearer, the full spectrum of this complex phenomenon is divided into three sub-areas. The first encompasses the inner characteristics, i.e. the immanent features, of the TLM approach itself, in other words, the set of limits and incentives. The second – the immediate environment – regards groups of labour market actors: employers, employees, the self-employed, non-paid workers, the unemployed, persons in training and older workers facing retirement. TLMs would bring a set of advantages and disadvan-

tages from the respective points of view of these groups. The balance between the positive and negative effects will determine the attitude of the given group of labour market participants towards the solutions proposed by the TLM concept and, consequently, influence their efficiency and utility. The third area takes a macro-level perspective. The peculiar mix of economic, social, technological and demographic changes has an enormous impact on the prospects for TLM implementation in Poland.

### *3.1 TLM Implementation Prospects – Features of the Theory*

The ideas of “combining” and “simultaneity” dominate the TLM concept. Proceeding from the assumption that there is no simple solution to the question of protection against social exclusion, efficiency is sought via a versatile and coordinated system. This requires the cooperation of all the social partners, who reach a consensus and convince the wider public of the necessity of compromise when the aims pursued seem to be contradictory. The outcome of this arrangement is sharing the costs of new measures – not only the direct financial costs, but also the indirect costs caused by changes in conditions, organisation, time and effort. TLMs operate as a form of insurance against risk – in this case the risk of social exclusion, the risk of the employer’s bankruptcy and the risk of aggravating the public financial situation. Similar to other forms of insurance, the problem is finding out how to persuade the participants to choose long-term profits over short-term costs (in the wider sense). It must be remembered that although such a form of additional insurance is reasonable, there are many groups of working age that cannot afford any further burden on or reduction of the family budget. Such people will understandably prefer the necessary current spending to accumulating savings in a common pool.

The TLM concept should be considered a highly applicable policy mix. Since it seeks not general, but the optimal labour market solutions (under the given circumstances), every participant will find some of the elements unsuitable or uncomfortable and will, of course, focus on these. Thus, it is necessary to underline the fact that labour market participants have to face quite difficult times these days: rising unemployment, the ageing of societies, global competition, its consequences for the labour market, etc. TLM is a proposal which is especially suitable for such a situation. It is therefore important to remember that at present the alternative to the “local maximum” offered by the TLM approach is not the “general maximum”, but an increase in the risk of social exclusion.<sup>3</sup>

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3 This “general maximum” can be understood as a hypothetical situation in which all labour market participants experience the maximum possible level of satisfaction with their conditions of working, living and operating. TLM policy is able to ensure a “local maximum”, i.e. the best possible compromise between employers, workers, the unemployed, households and the state under the given conditions.

A focus on flows is the next feature of the TLM concept. This is also a popular element of many other labour market policies. It must be remembered, however, that this approach is characterised in particular by highly permeable channels of transition between unemployment, employment and inactivity. The traditional, “hard” way of increasing the flexibility of the labour market often leads, on the one hand, to a substantial growth of the frequency of negative transitions from work to inactivity and unemployment. On the other hand, this approach does not create an adequate framework for releasing positive flows, which would improve employability and gradually lead towards full employment. The TLM approach, by contrast, promotes a way of reaching these objectives that can be compared to the Japanese method of management in small steps – *kaizen*. An entire system of motivation that provides the framework for making any small movement from inactivity and unemployment to activity on the labour market is created. Moreover, a safety net, which curbs the process of total and long-term exclusion, is formed. This consists of a set of instruments that facilitate adjustment to the volatile external conditions and that meet the needs of participants.

*Table 18: Advantages and disadvantages of TLM features in Polish conditions*

<b>Feature</b>	<b>Advantages</b>	<b>Disadvantages</b>
Complex approach	- More effective solutions to problem of social exclusion	- Need to integrate the aims of different social partners
Rule of co-financing	- Lower costs for each partner	- Need to convince each side of the benefits of this investment
Idea of flexicurity	- A compromise that provides a chance for social acceptance	- Restrictions on some workers' existing rights
Participation of many social actors	- Risk-sharing - Solidarity	- Coordination is more difficult - Some interests are contradictory in the short term
Transitionality of the measures	- TLMs are a kind of local maximum - Even if a TLM does not fulfil all needs by itself, it is a bridge to better employment - Often the alternative to a TLM is unemployment	- Risk of long-term inefficiency - TLMs offer limited income and rights in the short term
Focus on flows	- By improvement of outflows and inflows one can influence the size of the stock	- Supporting the flows uses means that could directly improve the circumstances of the needy
TLM concept and congruity with EES	- Up-to-date measures - Support for application within EU - Congruity with European specifications	- Some general recommendations of EES do not suit the Polish labour market situation

All the measures mentioned above require financial means. Given the huge scale of unemployment in Poland, the small share of unemployed who are entitled to unemployment benefit and the slim public budget, the current funds have to be spent on basic welfare. This is why accessing external sources of money (as opposed to the funds used to date) for labour market policy in Poland is crucial. Access to the European Social Fund is a potential source of hope. Table 18 presents a summary of the above considerations.

### **3.2     *The Pros and Cons of the TLM-like Approach in Poland with Respect to the Immediate Environment***

Regardless of the specific features of TLM and of the external conditions, the concept is implemented in the interests of the people it directly affects. Labour market policy measures that are implemented in accordance with the TLM approach are not intended to be only a “plus-sum game” for the system as a whole, but – at least in the long run – also for each individual participant. Each group of social actors needs to arrive at a positive assessment of the profit and loss account resulting from the introduction of TLMs. Amongst those who still have a job, the low-qualified are most at risk of social exclusion and this should be the target group availing of the integrating measures. Unfortunately, this group is also the worst off. As a result, one can expect considerable resistance from this quarter with respect to further reductions in household income as a result of participation in some form of TLM. A steady income at the minimum salary level seems to be decisive for the maintenance of these workers’ families. The arrangements that enable reconciliation of paid work with family responsibilities are therefore an interesting proposal.

People who work on their own account are the next group targeted by the TLM approach. Of course, the main emphasis is laid on building bridges between unemployment and self-employment. This is an extremely valuable strategy, but one should not overestimate the absorptive capacity of this form of paid work. Moreover, because of the very limited social protection afforded to those running a one-person business, self-employment is a particularly unattractive option for women. This is why it is crucial to encourage people to enter the self-employment and to counteract overusing of that form of employment at the same time.

An important area of the TLM concept is the development and promotion of frameworks for household responsibilities and transitions into paid employment. These are crucial not only for individuals, their families and the labour market situation, but also in the interests of elaborating a family-friendly policy in a broad sense. The recent changes in the labour code enabling more equal participation in child care by the two parents are undoubtedly a step in the right direction. Country-specific features that can influence the need for TLM development in this domain should not be forgotten, however. Poland has inherited the dominating

two-earner family model from the previous system. It is still rare for a woman to voluntarily adopt the role of housewife. In most cases such a division of household roles (with a single breadwinner) is the involuntary result of the female spouse's difficulty in finding full-time employment, or it is a voluntary decision made by well-off couples. Access to state child-care institutions has been limited for the last fifteen years for economic reasons. Fortunately, a financially attractive market of private babysitters (still mostly on the black economy) has emerged as an alternative to public organisations.

The lack of interest in this problem amongst people who need time for non-work activities is not a threat to successful implementation of TLM policy in Poland in this area. The real threat derives from the relationship between employers and employees, the weak enforcement of current labour law – especially in small and medium-sized enterprises – and the economic circumstances of individual households. Given that statistics show that men earn more than women, it is the female partner who will be taking care of the children, despite the possibilities for a more equal distribution of these responsibilities.

The number one target group for labour market policy measures are the unemployed. A large part of the TLM concept focuses on improving – even only slightly – the employability of this group. Such measures can be remarkably efficient on condition that they are implemented on a broad scale. The largest threat and the main source of scepticism amongst the unemployed regarding the implementation of TLMs may be, firstly, the marginal amount of funds provided to date for ALMP and, secondly, the shockingly low share of unemployed persons who are entitled to passive financial assistance (under 15% of the unemployed are in receipt of unemployment benefit). This absolutely excludes the option of redeploying the money for other purposes. There is, thus, a dramatic need for additional funds in order to create TLMs for those unemployed who are ineligible for unemployment benefit. These people, who are often without employment for less than one year, are exposed to the risk of permanent social exclusion or the black economy unless they are given support.

Students and people who are willing to improve their qualifications should be given support in the form of TLMs. They facilitate access to first-time jobs and professional experience, facilitate combinations between learning and work, and provide opportunities for re-qualification and the enhancement of existing skills. Polish reality does, however, have some characteristics that may pose an obstacle to labour market policy development, especially the TLM approach that promotes life-long learning. These include, for example, limited access to education services in rural areas and in small towns, outdated remuneration systems in many firms (based on age and experience and not on efficiency and qualifications) and the difficult situation on the labour market. The result is that it is easier and cheaper for employers to find a worker with the required skills on the external labour market than to invest in employees. It should be stressed, however, that these remarks are not intended as arguments against the implementation of



TLMs in this field. On the contrary, in the light of the lack of sufficient market incentives, TLMs could be a useful instrument for improving employability.

Owing to the process of restructuring taking place in the Polish economy, special attention should be paid to workers of pre-retirement age. Employees who are now in their fifties are covered by the old pension scheme, which is based 100% on the pay-as-you-go system (PAYG). When they lose their jobs – often as a result of sectoral restructuring – they have, on the one hand, only a minimal chance of finding other work and, on the other, low motivation to requalify so as to postpone the moment of total professional inactivity. A TLM-like arrangement that enables a partial delay of full-time retirement would be beneficial for the participants and would not burden the state budget. The alternative programs, e.g. investments in requalification and in subsidised jobs for these people, should be introduced so as to coincide with the termination of Poland's early retirement schemes in 2006.

The attitude of employers towards TLM can differ, depending on the size, legal form and level of trade union activity in a firm, etc. In SMEs, where the position of the insiders (i.e. of the workers in these firms) is comparably weak, the potential benefits and rights deriving from TLMs may seem to be unconvincing. The crucial issue is to encourage employers on the basis of economic arguments that illicit recruitment and the use of civil-code contracts instead of full employment contracts are not profitable alternatives to TLMs. In larger enterprises, then, where the trade unions are an influential partner and the labour code is followed more scrupulously, TLMs may be of significant assistance in introducing a more flexible human resources policy. In such a situation, the employer will be seeking more flexible working arrangements and the trade unions less flexibility in relation to the proposals of the TLM concept. Thus, such a labour market policy can be accepted as a form of compromise if the state creates the necessary legal and financial frameworks.

**Table 19: Arguments of the immediate environment's actors for and against TLMs**

Pros	Cons
<b>Employees</b>	
<ul style="list-style-type: none"> <li>- Greater protection against the risk of long-term social exclusion</li> <li>- Better working conditions, adjustment to needs of employees</li> <li>- Option of combining work with education or training</li> </ul>	<ul style="list-style-type: none"> <li>- Short-term reduction of employees' income</li> <li>- Weakening of employees' employment security + low professional and territorial mobility = risk of long-term unemployment</li> <li>- The possibility of working-time adjustments is less important when so many people have no job</li> <li>- Weak system of enforcing labour law in the private sector</li> <li>- Employer market in most sectors</li> </ul>
<b>Self-employed</b>	
<ul style="list-style-type: none"> <li>- TLMs can be an alternative to unemployment</li> <li>- Chance for sustaining income in the long term</li> </ul>	<ul style="list-style-type: none"> <li>- Many of the self-employed are involuntarily in this status</li> <li>- Greater social risk than in the case of dependent employment</li> <li>- Limited applicability</li> <li>- Limited sources of start capital, high credit rate</li> </ul>
<b>Non-paid workers</b>	
<ul style="list-style-type: none"> <li>- Possibility of combining paid and non-paid work in the household</li> <li>- Easier re-employment</li> </ul>	<ul style="list-style-type: none"> <li>- Limited necessity for such transitional solutions (small share of housewives as legacy of socialism)</li> <li>- Social resistance in some circles</li> </ul>
<b>Unemployed</b>	
Chance of social redemption	<ul style="list-style-type: none"> <li>- Lower and briefer unemployment benefits would be a social disaster</li> <li>- Lack of finances for ALMP</li> <li>- Very limited number of unemployed entitled to unemployment benefit</li> </ul>
<b>Learners</b>	
<ul style="list-style-type: none"> <li>- Higher probability of finding first job</li> <li>- Chance of combining training or learning and employment</li> </ul>	<ul style="list-style-type: none"> <li>- Little chance of successful implementation because of weak links between education system and labour market</li> <li>- Limited availability of education in rural areas and in small towns (economic and mobility reasons)</li> <li>- Additional training does not seem to improve employability</li> <li>- The wage system in many firms is a disincentive for further training (payment by seniority and by level in a firm, not by competence)</li> </ul>
<b>Retirees</b>	
<ul style="list-style-type: none"> <li>- Possibility of a soft exit into retirement</li> <li>- Reducing the shock of the income cut</li> <li>- Chance to mitigate the consequences of mass redundancies</li> </ul>	<ul style="list-style-type: none"> <li>- Especially low employment prospects for older people</li> <li>- Tough competition with young workers because of large skills gap between elderly and youth</li> </ul>
<b>Employers</b>	
<ul style="list-style-type: none"> <li>- Greater (than in standard employment) room for manoeuvre in case of market shocks</li> <li>- Maintaining human capital in the business</li> </ul>	<ul style="list-style-type: none"> <li>- Higher costs of human resource development than in a simple hire and fire system</li> <li>- No need to change the attitude towards employees' needs</li> <li>- TLMs require more bureaucracy in a firm</li> <li>- Maximum of flexibility needed</li> </ul>

### 3.3 *Implementing TLMs in Poland – the Influence of the Broader Environment*

Examining the applicability of TLM measures in the Polish context, it is impossible to overlook certain macro factors. These create an environment that shapes the efficiency of every labour market policy. Some of them, e.g. the demographic trend and the fact of EU membership, have a supranational range. This means that Poland has to face the same opportunities and risks as the other European countries, where elements of TLM-like policy have already been implemented successfully. The other factors, e.g. the economic, legal, social and political, are more specific to Poland. The unemployment rate, which is incomparable with any other EU country, together with very limited means for passive labour market policy instruments, represents one of the most serious barriers to the TLM approach in Poland. It is paradoxical that a country where the risk of social exclusion is so high may be unable to reconstruct its labour market policy because of the current needs. Moreover, it is highly improbable that the government will be inclined to increase the budget deficit. Firstly, it is already too high and, secondly, the right-wing parties, which will probably come to power in Poland in autumn 2005, would prefer to substantially liberalise the labour market and to reduce budget expenditure. The economic factors, that give some cause for hope, are: overcoming of a jobless growth barrier, the stable inflation level, the developing service sector, better terms and conditions in heavy industry, and the substantial degree of absorption of subsidies coming from the European Union budget in agriculture. Poor application of labour law, especially in SMEs, is the chief obstacle to the implementation of TLM solutions on a larger scale.

The systematic presentation of the above factors and their implications for the prospect of successful implementation of a labour market policy congruent with TLM assumptions is certainly only a small contribution to more in-depth research on the subject. This paper examines the area concerned in its complexity. However, it does not answer questions about either the final direction or the strength of the influence of each factor. In some cases, one can state plausibly *ex ante* whether the advantages outweigh the disadvantages. In others, however, one can only pose hypotheses, which will then require empirical verification.

**Table 20: Implementing TLMs in Poland – the influence of the broader environmental factors**

Area	Facts	Assessment	Description
Economic	Very high level of unemployment	Support	Increasing acceptance of lower income and employment security
		Obstacle	Need for high spending on passive instruments
	High level of public debt, constitutional restrictions on further spending	Obstacle	Limited prospects for additional internal funds for social policy
	High economic growth	Support	Hope for an increase in employment and investment in human capital
	Stable, low level of inflation	Support	Lower cost of capital; lower cost of the public debt service
Economic	Increasing share of service sector	Support	More jobs in services; development of the educational sector
		Obstacle	Further redundancies in industry
	Large share of agriculture (18.4% of employed in 2003)	Obstacle	Minimal prospects for other jobs
		Support	In many cases it functions as a TLM in the form of a "social enterprise"
	Difficult economic situation of many households	Support	TLMs can reintegrate some of them
		Obstacle	Many people require direct financial aid, not a self-help "fishing rod"
Technological	IT sector development	Support	New possibilities for atypical employment; easier and cheaper training
Demographic	Ageing of society	Support	Pressure to support the prolongation of working life; need for family-friendly policy
		Obstacle	Increasing public spending on pensions and health care
Legal	Weak system of enforcing labour law	Obstacle	Uncontrolled employer market, no incentives for compromise
	Black economy	Support	Some TLM measures could reduce it
		Obstacle	May be a better financial option to a TLM in the short term
	New regulations regarding atypical employment and the third sector	Support	Direct frameworks for TLMs
Social	Changes in the family model	Support	Pressure to implement solutions facilitating reconciliation of paid and non-paid work
	Rising education level	Support	Higher mobility; higher propensity for further education
	Model of multigenerational families is still rare	Support	Great need for a policy that facilitates combining child care with paid work; high sensitivity of income in many households
	Little will for social dialogue	Obstacle	Attitude that the labour market situation is entirely the government's business
Political	Parliamentary elections in 2005 – high probability of a central-liberal government	Inconclusive	General reduction in state redistribution: intensive labour market flexibilisation; many TLM measures would be considered "too social"
International	EU membership	Support	Need to adhere to EES; additional funds from the European Social Fund; employment policy benchmarking

## 4. Conclusions

The main question formulated at the outset of this paper concerns the prospects for developing a labour market policy based on the TLM approach in Poland. Because of the complexity of the issue and a range of contradictory factors of influence, the reply cannot be conclusive. Many of the arguments presented above would suggest a positive answer. As a consequence of the really difficult situation on the Polish labour market and the expectations of the main partners, the TLM approach could count on social and political approval. In addition, it is easier to implement this kind of policy as an EU member. Poland is participating in the process of converging labour market policies and priorities (European Employment Strategy), so it can use the other partners as a benchmark and gain access to the financial support that seems to be vital. Moreover, the fact of the existence of a black economy on a comparatively broad scale in Poland is the next feature that can positively influence the government's propensity to support measures that could reduce its scale. Another important factor, the sharply rising level of education in Polish society, is raising mobility and income and, thereby, increasing the probability of using transitional forms of activity on the labour market – all the more so since part-time work and atypical employment contracts are still insufficiently exploited. Finally, many general indicators, e.g. the high level of economic growth, the slightly decreasing (after a long period of escalation) unemployment rate, good forecasts for profits in the mining industry, substantial absorption of structural funds in agriculture, etc., can indirectly support the implementation of TLMs.

On the other hand, there are many potential obstacles. Let us mention only the most important here:

- poor dialogue between the social partners,
- a severe lack of funds for ALMP,
- insufficient links between education, labour market, welfare and retirement,
- the poverty of a substantial percentage of the labour force that cannot afford income reductions even in the short term,
- low regional and professional mobility, especially in groups at high risk of social exclusion,
- the sectoral structural transformation,
- the constitutional restriction on a further rise in the budget deficit.

In the light of so many obstacles, one can ask whether a labour market policy based on the TLM concept should be recommended to a country in the transformation period. To enable this policy to prevent social exclusion, a substantial change in the application of labour law is needed. Otherwise, individuals and firms will over-exploit any gap that yields even short-term benefits. This will immensely burden a system that should really only be serving the needy target groups. However, combating legal abuses efficiently using only administrative

means is very expensive. Unfortunately, a claimant attitude towards the state is still widespread amongst Poles. Moreover, the level of social responsibility is inadequate. Poles, in general, do not trust in the state as an efficient institution of income redistribution. People do not feel the leverage of higher taxes on the improvement of living conditions (e.g. with respect to the PAYG pension system). These attitudes are mostly the consequence of the socialist system. One could ask, therefore, whether a model of labour market relations which is closer to the Anglo-Saxon system might not be more efficient in Poland. Maybe, in the long run, this would be a better solution. There is, however, a "but": How should Poland survive the transitional period? And this is where TLMs come in. Transitional labour markets offer a potential means to survive the transitional period in an economic sense (a kind of short-term insurance) and to improve the employability of the country's human resources (a kind of long-term insurance). Only people who are well educated, territorially and professionally mobile, and able to find a job in the new sectors will be prepared for increased labour market flexibility and a substantial reduction of the state's role.

In implementing TLMs in Poland, it would be important to start with the instruments that support the common interests of individuals and the state. Strategies that deserve mention include a family-friendly policy, incentives to legalise illicit employment, exploitation of the potential of small, family farms by combining agricultural with non-agricultural work, promotion of educational, legal and organisational support for micro-enterprises, and so forth. In addition, the TLM financing system should be adapted to the Polish context. One of the possibilities is to create individual accounts for compulsory social exclusion insurance instead of the global Labour Fund at the state level. The capital in these insurance accounts would be increased during periods of employment by professional, private (perhaps only with a partial state guarantee) investment funds. In the event of unemployment, the money would be spent on a relevant TLM measure, e.g. training vouchers. These funds would increase the pension of the owner after active working life.

So would TLM implementation in Polish labour market policy bring more advantages or disadvantages? Only practical reality will provide the answers, on condition, however, that this idea gains sufficient political support so as to be launched in the first place.

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